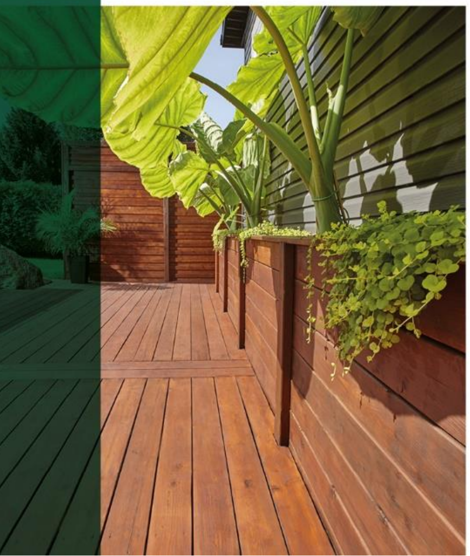
ANNUAL REPORT

2019

GOODFELLOW



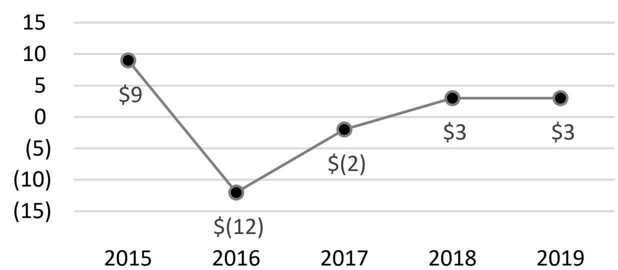
FINANCIAL HIGHLIGHTS

OPERATING RESULTS
(in thousands of dollars, except per share amounts)

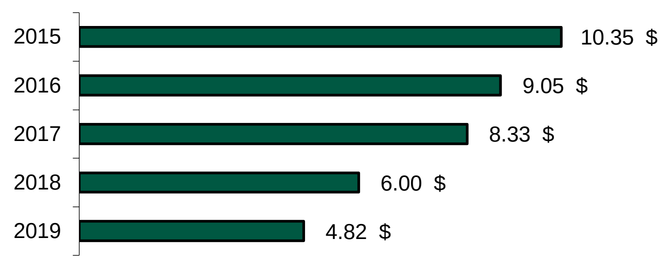
	2019	2018	2017	2016	2015
Sales	**$449,587**	$475,207	$523,659	$565,173	$538,975
Earnings (loss) before income taxes	**$4,269**	$3,277	$(3,275)	$(16,294)	$11,874
Net earnings (loss)	**$3,054**	$2,571	$(2,094)	$(12,105)	$8,622
- per share	**$0.36**	$0.30	$(0.25)	$(1.42)	$1.01
Cash flow (excluding non-cash working capital, Income tax paid and interest paid)	**$9,775**	$9,705	$2,630	$(10,802)	$16,092
- per share (1)	**$1.14**	$1.14	$0.31	$(1.27)	$1.89
Shareholders' equity	**$113,408**	$112,863	$109,434	$110,693	$128,100
- per share (1)	**$13.24**	$13.27	$12.86	$13.01	$15.06
Share price at year-end	**$4.82**	$6.00	$8.33	$9.05	$10.35
Dividend paid per share	**$0.10**	-	-	$0.30	$0.35

(1) Non-IFRS financial measures – refer to "Non-IFRS Financial Measures" section of MD&A

NET EARNINGS (LOSS) (in million $)



SHARE PRICE



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GOODFELLOW
THE WOOD SPECIALIST

ANNUAL MEETING

The annual Meeting of Shareholders will be held on April 9, 2020 at 11:00 a.m. at the Goodfellow Inc. Head Office: 225 Goodfellow Street, Delson, Quebec.

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Delson, Quebec
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info@goodfellowinc.com
www.goodfellowinc.com

CHAIRMAN'S REPORT TO THE SHAREHOLDERS

The decrease in sales in 2019, most of which occurring in the first half of the year, can be explained almost exclusively by the reduction of plywood and hardwood deliveries. In the past 6 months, we experienced a small increase of our sales of products other than plywood and hardwood compared to the numbers obtained in the second half of the previous year. This recovery enabled us to increase our gross margin from 18.5% in 2018 to 18.9% in this past year. This improvement of our margin and a better control over our expenses have allowed us to increase our profits by 18.8%.

A tighter management of our funds has led to a reduction of our credit line of almost eleven million dollars in 2019. Management has continued improvement of our balance sheet in the course of the year and has started a plan to renew our equipment.

Encouraged by the good results, the board of directors has declared a second dividend in November 2019, in the amount of $0.10 per share.

In the name of the board of directors, I would like to thank our President and CEO, Mr. Patrick Goodfellow, his management team as well as each employee for their efforts during the past year. I would also like to thank our customers who have provided us with the opportunity to continue servicing in the course of the year.

Claude Garcia
Chairman of the Board
February 13, 2020

PRESIDENT'S REPORT TO THE SHAREHOLDERS

For the period of Dec 1, 2018 to Nov 30, 2019, Goodfellow had full intention and management commitment of continuing in its positive trend to a normalized return for its shareholders. The Company's overhead having been right sized, as well as being able to count on a functional ERP system, were key in keeping focus on sales revenue and gross margins. Conservative inventory management, with the objective of improving our turns, resulted in reduced exposure to volatile commodity fluctuations in 2019.

Sales Revenue decreased in 2019 due in large part to hardwood lumber market turmoil. This was caused by Chinese lumber tariffs imposed on American hardwoods. This factor resulted in a substantial correction in hardwood pricing and a surplus of material availability in North America.

Regionally in Canadian Distribution we saw continued softening of demand in the GTA & Southwestern Ontario during Q1 (Dec-Feb) and Q2 (March-May) 2019. Goodfellow's distribution footprint remains intact and fortunately the Company saw several encouraging revenue gains in many parts of the country, with 2019 final results were \$3.1M of net earnings versus \$2.6M of net earnings in 2018.

Despite challenging conditions in North America and overseas, Goodfellow's core business activities showed great signs of resilience in 2019 to sustain the trend of improved profitability. The Company has invested in measures to improve its productivity and strengthen its position as the leader in custom orders & value-added manufacturing of wood products. These initiatives will provide positive returns for years to come.

Thanks

Patrick Goodfellow
President and Chief Executive Officer
February 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") consolidated financial statements were approved by the Audit Committee and the Board of Directors on February 13, 2020.
The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2019 and November 30, 2018.
The MD&A provides a review of the significant developments and results of operations of the Company during the years ended November 30, 2019 and November 30, 2018.
The consolidated financial statements for the years ended November 30, 2019 and November 30, 2018 are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

Additional information relating to Goodfellow Inc., including the Annual Information Form and the Annual Report can be found on SEDAR at ***www.sedar.com****.*

FORWARD-LOOKING STATEMENTS

This MD&A contains implicit and/or explicit forecasts, as well as forward-looking statements on the objectives, strategies, financial position, operating results and activities of Goodfellow Inc. These statements are forward-looking to the extent that they are based on expectations relative to markets in which the Company exercises its activities and on various assessments and assumptions. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. Our actual results could differ significantly from management's expectations if recognized or unrecognized risks and uncertainties affect our results or if our assessments or assumptions are inaccurate. These risks and uncertainties include, among other things; the effects of general economic and business conditions including the cyclical nature of our business; industry competition; inflation, credit, currency and interest rate risks; environmental risk; competition from vendors; dependence on key personnel and major customers; laws and regulation; information systems, cost structure and working capital requirements; and other factors described in our public filings available at www.sedar.com. For these reasons, we cannot guarantee the results of these forward-looking statements. The MD&A gives an insight into our past performance as well as the future strategies and key performance indicators as viewed by our management team at Goodfellow Inc. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

NON-IFRS FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides cash flow per share and earnings before interest, taxes, depreciation and amortization ["EBITDA"] as a non-IFRS financial measure. These financial measures are not prescribed by the IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers it to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company. Cash flow per share is defined as cash flow from operations (excluding non-cash working capital, income tax paid and interest paid) of $9.8 million for the fiscal period ended November 30, 2019 divided by the total number of outstanding shares of 8,562,554.

Reconciliation of net income to EBITDA (thousands of dollars)	**For the years ended**	
	November 30 2019	November 30 2018
	$	$
Net income for the year	**3,054**	2,571
Provision for income taxes	**1,215**	706
Financial expenses	**3,137**	3,476
Operating income	**7,406**	6,753
Depreciation and amortization	**3,479**	3,690
EBITDA	**10,885**	10,443

BUSINESS OVERVIEW

Goodfellow Inc. is a distributor of lumber products, building materials, and hardwood flooring products. The Company carries on the business of wholesale distribution of wood and associated products and remanufacturing, distribution and brokerage of lumber. The Company sells to over 7000 customers who represent three main sectors - retail trade, industrial, and manufacturing. The Company operates 13 distribution centres and, 9 processing plants in Canada, and 1 distribution centre in the USA.

OVERALL PERFORMANCE

Heading into 2019, the Company focused on the quality of its inventory levels and setting a priority on its core value-added categories. The Company remains fully committed to strengthening its distribution footprint across Canada. Our business model continues to be aligned with organic growth through geographic market penetration and market share gains. Distribution of new lines within our existing categories and strengthening our core value-added niche businesses. Goodfellow is committed to being the leader in specialty wood products and offering innovative custom job lot solutions. Fiscal 2019 was budgeted as a continuation of improved profitability. As responsible operators, management continued in its objective of eradicating obsolete inventory and increasing turns. Cost control measures continued to be implemented through operational efficiencies and continued process improvements within the ERP. Through pricing discipline, margins held overall despite very volatile commodity fluctuations in 2019.

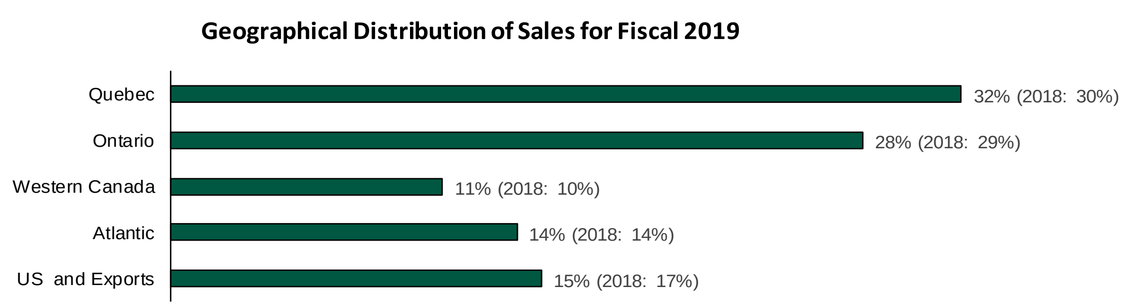
SELECTED ANNUAL INFORMATION (in thousands of dollars, except per share amounts)

	2019	2018	2017
	$	$	$
Consolidated Sales	**449,587**	475,207	523,659
Earnings (loss) before income taxes	**4,269**	3,277	(3,275)
Net earnings (loss)	**3,054**	2,571	(2,094)
Total Assets	**180,581**	190,718	197,233
Total Long-Term Debt	**28**	43	55
Cash Dividends	**851**	-	-
PER COMMON SHARE			
Net earnings (loss) per share, Basic	**0.36**	0.30	(0.25)
Net earnings (loss) per share, Diluted	**0.35**	0.30	(0.25)
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**1.14**	1.14	0.31
Shareholders' Equity	**13.24**	13.27	12.86
Share Price	**4.82**	6.00	8.33
Cash Dividends	**0.10**	-	-

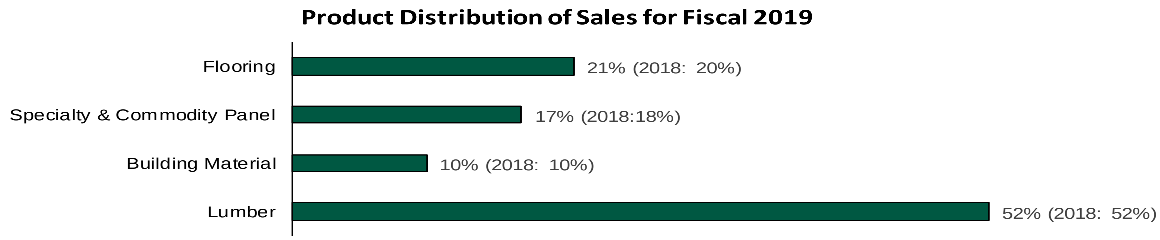
COMPARISON FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE YEARS ENDED NOVEMBER 30, 2019 AND 2018	**2019**	2018	Variance
	$	$	%
Consolidated Sales	**449,587**	475,207	-5.4
Earnings before income taxes	**4,269**	3,277	+30.3
Net earnings	**3,054**	2,571	+18.8
Net earnings per share – Basic	**0.36**	0.30	+20.0
Net earnings per share – Diluted	**0.35**	0.30	+16.7
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**9,775**	9,705	+0.7
EBITDA	**10,885**	10,443	+4.2
Average Bank indebtedness	**58,074**	69,569	-16.5
Inventory average	**103,698**	104,832	-1.1

Sales in Canada during fiscal 2019 decreased 3% compared to last year mainly due to decrease in sales of commodity panels and lumber products. Quebec sales decreased 1% due to decrease in sales of specialty and commodity panels. Sales in Ontario decreased 7% mainly due to a decline in sales of flooring, commodity panels and hardwood products. Sales in Western Canada increased 3% mainly due to increased sales of flooring products. Atlantic region sales decreased 4% due to decreased sales of siding and lumber products.



Sales in the United States during fiscal 2019 decreased 14% on a Canadian dollar basis compared to last year due to lower demand of hardwood products. On a US dollar basis, US denominated sales decreased 16% compared to last year. Finally, export sales decreased 20% compared to last year mainly due to decreasing demand of hardwood and flooring products in the United Kingdom, and lower demand for hardwood lumber in Asia.



In terms of the distribution of sales by product, flooring sales during fiscal 2019 remained stable compared to last year. Specialty and Commodity Panel sales decreased 12% compared to last year. Building Materials sales decreased 1% compared to last year. Finally, Lumber sales decreased 6% compared to last year.

Cost of Goods Sold
Cost of goods sold during fiscal 2019 was $364.5 million compared to $387.3 million last year. Cost of goods sold decreased 5.9% compared to last year. Total freight outbound cost decreased 6.6% compared to last year. Gross profits were $85.0 million compared $87.9 million last year due to lower sales volume. Gross profits decreased 3.2% compared to last year. Gross margins were 18.9% in fiscal 2019 (18.5% last year).

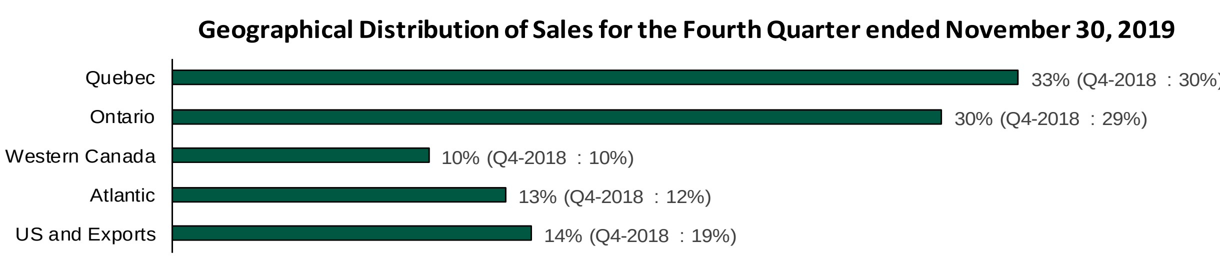
Selling, Administrative and General Expenses
Selling, Administrative and General Expenses during fiscal 2019 was $77.6 million compared to $81.2 million last year. Selling, Administrative and General Expenses decreased 4.3% compared to last year.

Net Financial Costs
Net financial costs during fiscal 2019 were $3.1 million compared to $3.5 million last year. The average Canadian prime rate increased to 3.95% compared to 3.54% last year. The average US prime rate increased to 5.33% compared to 4.83% last year. Average bank indebtedness was $58.1 million compared to $69.6 million last year.

COMPARISON FOR THE THREE MONTHS ENDED NOVEMBER 30, 2019 AND 2018
(In thousands of dollars, except per share amounts)

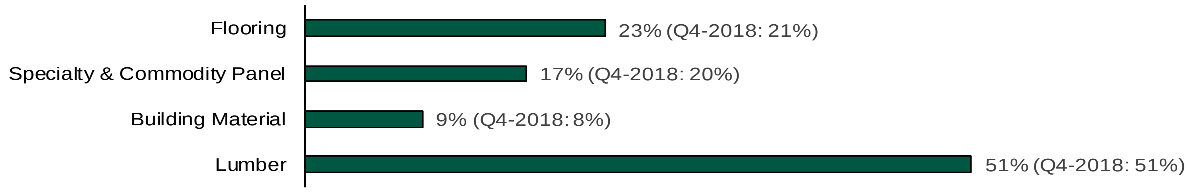
HIGHLIGHTS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2019 AND 2018	**Q4-2019**	Q4-2018	Variance
	$	$	%
Consolidated Sales	**107,127**	112,742	-5.0
Earnings (loss) before income taxes	**406**	(22)	+1,945.5
Net earnings	**277**	197	+40.6
Net earnings per share – Basic and diluted	**0.03**	0.02	+50.0
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**1,450**	1,609	-9.9
EBITDA	**1,981**	1,821	+8.8
Average Bank indebtedness	**42,124**	56,112	-24.9
Inventory average	**93,900**	99,876	-6.0

Sales in Canada during the fourth quarter of fiscal 2019 remained stable compared to last year. Quebec sales increased 2% due to an increase in sales of engineered products. Sales in Ontario decreased 2% mainly due to a decline in sales of commodity panels and hardwood products. Western Canada sales decreased 4% due to reduced sales of siding products. Atlantic region sales increased 2% due to an increase in sales of pressure treated wood, commodity panels and building materials.



Sales in the United States for the fourth quarter of fiscal 2019 decreased 5% on a Canadian dollar basis compared to last year due to lower demand of lumber products. On a US dollar basis, US denominated sales decreased 6% compared to last year. Finally, export sales decreased 50% during the fourth quarter of fiscal 2019 compared to last year mainly due to a decrease demand for hardwood products in the United Kingdom and Asia.

Product Distribution of Sales for the Fourth Quarter ended November 30, 2019



In terms of the distribution of sales by product, flooring sales for the fourth quarter ended November 30, 2019 increased 1% compared to last year. Specialty and Commodity Panel sales decreased 16% compared to last year. Building Materials sales increased 13% compared to last year. Finally, Lumber sales decreased 6% compared to last year.

Cost of Goods Sold

Cost of goods sold for the fourth quarter of fiscal 2019 was $86.5 million compared to $91.9 million last year. Cost of goods sold decreased 5.9% compared to last year. Total freight outbound cost decreased 3.9% compared to last year. Gross profits were $20.7 million compared $20.9 million last year due to lower sales volume. Gross profits decreased 1.0% compared to last year. Gross margins were 19.3% for the fourth quarter of fiscal 2019 (18.5% last year).

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the fourth quarter ended November 30, 2019 were $19.6 million compared to $20.0 million last year. Selling, Administrative and General Expenses decreased 2.1% compared to last year.

Net Financial Costs

Net financial costs for the fourth quarter of fiscal 2019 were $0.7 million compared to $0.9 million last year. The average Canadian prime rate increased to 3.95% during the fourth quarter of fiscal 2019 compared to 3.80% last year. The average US prime rate decreased to 4.96% compared to 5.17% last year. Average bank indebtedness was $42.1 million compared to $56.1 million last year.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	Feb-2019	May-2019	Aug-2019	Nov-2019
	$	$	$	$
Sales	88,153	123,713	130,594	107,127
Net (loss) earnings	(1,550)	1,855	2,472	277
Net (loss) earnings per share	(0.18)	0.22	0.29	0.03

	Feb-2018	May-2018	Aug-2018	Nov-2018
	$	$	$	$
Sales	96,684	133,326	132,455	112,742
Net (loss) earnings	(1,431)	1,812	1,993	197
Net (loss) earnings per share	(0.17)	0.21	0.24	0.02

As indicated above, our results over the past eight quarters follow a seasonal pattern with sales activities traditionally higher in the second and third quarters.

STATEMENT OF FINANCIAL POSITION

Total Assets
Total assets at November 30, 2019 was $180.6 million compared to $190.7 million last year. Cash at November 30, 2019 closed at $2.4 million compared to $2.6 million last year. Trade and other receivables at November 30, 2019 was $48.5 million ($50.0 million last year). Inventories at November 30, 2019 was $87.3 million compared to $92.5 million last year. Prepaid expenses at November 30, 2019 was $2.6 million compared to $3.1 million last year. Defined benefit plan assets was $2.2 million at November 30, 2019 compared to $2.7 million last year. Investment was $25 thousand at November 30, 2019 (same last year), reflecting the carrying amount of the investment in the JV. Other assets was $0.8 million at November 30, 2019 ($0.9 million last year).

Property, plant, equipment and intangible assets
Property, plant and equipment at November 30, 2019 was $32.8 million compared to $34.4 million last year. Capital expenditures during fiscal 2019 amounted to $1.0 million compared to $1.2 million last year. Property, plant and equipment capitalized during fiscal 2019 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at November 30, 2019 was $3.9 million compared to $4.4 million last year. Intangible expenditures during fiscal 2019 amounted to $0.2 million (same last year). Proceeds on disposal of capital assets during fiscal 2019 was $18 thousand compared to $72 thousand last year. Depreciation of property, plant, equipment and intangible assets during fiscal 2019 amounted to $3.5 million compared to $3.7 million last year. Historically, capital expenditures in general have been capped at depreciation levels.

Total Liabilities
Total liabilities at November 30, 2019 was $67.2 million compared to $77.9 million last year. Bank indebtedness was $31.2 million compared to $42.8 million last year. Trade and other payables at November 30, 2019 was $29.0 million compared to $29.2 million last year. Income taxes payable was $0.7 million compared to $0.4 million last year. Provision at November 30, 2019 was $1.5 million compared to $1.7 million last year. Dividend payable at November 30, 2019 was $0.9 million (nil last year). Long-term debt at November 30, 2019 was $43 thousand compared to $57 thousand last year. Deferred income taxes at November 30, 2019 was $3.2 million compared to $3.7 million last year. Defined benefit plan obligation was $0.6 million at November 30, 2019 compared to $0.1 million last year.

Shareholders' Equity
Total Shareholders' Equity at November 30, 2019 was $113.4 million compared to $112.9 million last year. The Company generated a return on equity of 2.7 % during fiscal 2019 compared to 2.3 % last year. The share price closed at $4.82 per share on November 30, 2019 ($6.00 on November 30, 2018). The book value at November 30, 2019 was $13.24 per share compared to $13.27 last year. Share capital was $9.4 million at November 30, 2019 ($9.2 million last year). A dividend of $0.10 per share, totaling $0.9 million was declared and paid in fiscal 2019. Another dividend of $0.10 per share, totaling $0.9 million was declared in fiscal 2019 but payable in fiscal 2020. See details under SUBSEQUENT EVENT.

On January 15, 2017, the Company granted deferred shares to a key executive. Under this program, the executive was eligible to receive shares of the Company if specific non-market performance targets were met. The Company recognized the fair value of the shares at the grant date ($494 thousand) and the shares were vested at November 30, 2017 as the Company met the non-market performance targets. On April 12, 2019, the Company modified these deferred shares to allow for a cash alternative at the key executive's discretion. The cash alternative allows the key executive to a cash payment equal to the number of deferred shares exercised multiplied by the fair value of the shares calculated using the average closing trading price during the preceding twenty trading days of the exercise. On April 12, 2019 (the date of the modification), based on an average closing share price of $6.27 for the twenty trading days preceding April 12, 2019, an amount of $351 thousand was transferred from retained earnings to Payroll related liabilities.

At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in profit and loss for the period. On November 14, 2019, based on a closing share price of $4.85, the key executive exercised his right and received 56 000 shares of the Company. The Company recognized a share-based compensation recovery of $79 thousand in Employee benefits expense for the twelve months ended November 30, 2019 with a corresponding change in Payroll related liabilities. All shares under this grant have been issued. Therefore, the Payroll related liabilities is nil at November 30, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Financing
In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2021. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days only. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable and immovable property of the Company. As at November 30, 2019, the Company was compliant with its financial covenants. As at November 30, 2019, under the credit agreement, the Company was using $30.0 million of its facility compared to $41.0 million last year.

The Company's business follows a seasonal pattern with sales activities traditionally higher in the second and third quarter. As a result, cash flow requirements are generally higher during these periods. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Source of funding and access to capital is disclosed in detail under LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS.

Cash Flow
Net cash flow from operating activities for fiscal 2019 was $13.4 million compared to $11.6 million last year. Financing activities during fiscal 2019 was $(11.9) million compared to $(10.1) million last year. Investing activities during fiscal 2019 was $(1.1) million compared to $(1.0) million last year (See Property, plant, equipment and intangible assets for more details).

LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS

The Company's objectives are as follows:

1. Maintain financial flexibility in order to preserve its ability to meet financial obligations;
2. Maintain a low debt-to-capitalization ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements;
4. Provide an adequate return to its shareholders.

The Company defines its capitalization as shareholders' equity and debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid common shares together with the retained earnings, calculated on a consolidated basis in accordance with IFRS.
Debt includes bank indebtedness reduced by the amounts of cash and cash equivalents. Capitalization represents the sum of debt and shareholders' equity.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under the normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally-generated cash flows and credit facilities. The Company's financial objectives and strategy remain substantially unchanged.

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and an Interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at November 30, 2019 and 2018, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at November 30 2019**	As at November 30 2018
Debt-to-capitalization ratio	**20.6%**	26.6%
Interest coverage ratio	**3.5**	3.0
Return on shareholders' equity	**2.7%**	2.3%
Current ratio	**2.2**	2.0
EBITDA (in thousands of dollars)	**$10,885**	$10,443

These measures are not prescribed by IFRS and are defined by the Company as follows:

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- Interest Coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis.
- Return on shareholders' equity is the net earnings (loss) divided by shareholders' equity.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA is earnings before interest, taxes, depreciation and amortization.

General
Management makes every effort to ensure that the Company benefits from effective risk management, which has been strengthened according to even stricter criteria with economic fluctuations. Management is responsible for identifying and assessing the potential risks that could have a material impact on the Company's operations and financial position, as well as the risk management strategies implemented within the Company. It is also responsible for setting up risk management oversight provisions, notably by developing and recommending to the Board of Directors or its Audit Committee various policies and procedures to support effective strategies in regard to internal and external control in order to improve and reduce the impact of business and operational risk factors.

Credit Risk
The Company strictly manages the credit granted to its customers. The accounts receivable collection period has been historically longer in the second and third quarter of its fiscal year. A rapid weakening of the economic conditions could result in further bad debts expenses.

Supplier-Related Risk
The Company's business model is largely built on long-term relationships with a network of international, national and local manufacturers, which enables it to reduce the risks associated with inventory valuation and to adjust to fluctuations in demand. In addition, the Company's practice is to take discounts and pay its suppliers on a timely basis which results in strong relationships with our key vendors and partners.

Cost Structure, Working Capital Requirements
At November 30, 2019, its total debt-to-capitalization ratio stood at 20.6% compared to 26.6% on November 30, 2018. In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks – see details under **Financing**.

For further information, the principal risk factors to which the Company is exposed are described in the Management's Report contained in its Annual Report for the twelve months ended November 30, 2019 as well as in the 2019 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

As at November 30, 2019, the minimum future rentals payable under long-term operating leases, for offices, warehouses, vehicles, yards and equipment, did not materially change and are as follows:

Contractual obligations	Payments due by period (in thousands of dollars)				
	Total	**Less than 1 year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 years**
Operating leases	19,115	5,007	8,267	4,871	970
Purchase obligations	197	197	-	-	-
Total Contractual Obligations	**19,312**	**5,204**	**8,267**	**4,871**	**970**

Contingent liabilities
During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

RISKS AND UNCERTAINTIES

Currency Risk
Certain valuation risks exist depending on the performance of the Canadian dollar compared to the U.S. dollar, Euro and the Pound sterling. From time-to-time, the Company enters into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollar and Euro. During the twelve months ended November 30, 2019, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at November 30, 2019 there were no outstanding foreign exchange contracts.

Interest Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. The profitability of the Company could be adversely affected by increases in the bank prime rate.

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. The loss of any major customer could have a material effect on the Company's results, operations and financial conditions.

Environmental Risk
The Company's St-André (QC) site shows continued traces of surface contamination from previous treating activities exceeding existing regulatory requirements. The Company received approval for the environmental rehabilitation plan in fiscal 2016. The Company started to implement its plan during the fiscal 2016 and treatment of soil on-site was to be performed over an estimated period of 5 years. Based on current available information, the provision as at November 30, 2019 is considered by management to be adequate to cover any projected costs that could be incurred in the future. The remaining rehabilitation is expected to occur over the next year.

Because of the nature of the liability, the biggest uncertainty in estimating the provision is the amounts of soil to be treated and the costs that will be incurred. In particular, the Company has assumed that the site will be restored using technology and materials that are currently available. The Company has been provided with a reasonable estimate, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9% and an inflation rate of 1.9%.

Competition from Vendors
The Company is exposed to competition from some of its vendors in certain markets. From time to time, vendors might decide to distribute directly to some of our customers and therefore becoming competitors. This would adversely affect the Company's ability to compete effectively and thereby potentially impact its sales.

Dependence on Key Personnel
The Company is dependent on the continued services of its senior management team. Although the Company believes that it could replace such key employees in a timely fashion should the need arise, the loss of such key personnel could have a material adverse effect on the Company.

Dependence on Major Customers
The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Only one major customer exceeds 10% of total Company sales in the twelve months ended November 30, 2019 (two last year). The following represents the total sales consisting primarily of various wood products of the major customer(s):

	Years ended			
(in thousands of dollars)	**November 30, 2019**		November 30, 2018	
	$	**%**	$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	**58,019**	**12.9**	110,699	23.3

The loss of any major customer could have a material effect on the Company's results, operations and financial position. The carrying amounts of financial assets represent the maximum credit exposure.

Dependence on Market Economic Conditions
The Company demand for products depends significantly upon the home improvement, new residential and commercial construction markets. The level of activity in the home improvement and new residential construction markets depends on many factors, including the general demand for housing, interest rates, availability of financing, housing affordability, levels of unemployment, shifting demographic trends, gross domestic product growth, consumer confidence and other general economic conditions. Since such markets are sensitive to cyclical changes in the economy, future downturns in the economy or lack of further improvement in the economy could have a material adverse effect on the Company.

Customer Agreements
The majority of the Company's supply and customer arrangements vary significantly in length. Most arrangements are for individual purchase orders and are satisfied upon delivery of the goods to the customer. Some arrangements involve customers purchasing goods several months in advance of delivery. These arrangements, known as bookings, vary in length but are generally less than six months long. There can be no assurance that these customers will renew their bookings or continue to place purchase orders with the Company.

Cyclical Nature
The business of the Company is, to a significant degree, seasonal and cyclical, and fluctuates in advance of the normal building season. Inventory is built up during the second quarter in anticipation of the building seasons, and the busy selling season begins in the last half of that second quarter and extends to the end of the third quarter. Additionally, the Company is subject to the normal economic cycle, the housing cycle and to macroeconomic factors, such as interest rates. Although the Company anticipates that these seasonal and cyclical fluctuations will continue in the foreseeable future, it is seeking to reduce their impact on its operations and sales.

Supply Chain
The Company is exposed to supply chain risks relating mainly to the Asian imports from time-to-time. Management does not expect to incur any major losses related to supply due to the fact that it has built solid long-term relationships with numerous reputable suppliers.

Laws and regulation
The Company faces multiple laws and regulations. These are laws that regulate credit practice, transporting products, importing and exporting products and employment. New laws governing the Company's business could be enacted or changes to existing laws could be implemented, each of which might have a significant impact on the Company's business. Many foreign laws and regulations constrain our ability to compete efficiently on those foreign markets.

Information systems
The Company enterprise resource planning ("ERP") information management system provides information to management which is used to evaluate financial controls, reporting and sales analysis and strategies. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's results of operations. Furthermore, the Company relies on vendors to support, maintain and periodically upgrade ERP or other systems which are essential in providing management with the appropriate information for decision making. The inability of these vendors to continue to support, maintain and/or upgrade these software programs could disrupt operations if the Company were unable to convert to alternate systems in an efficient and timely manner. Information technology system disruptions, if not anticipated and appropriately mitigated, or the failure to successfully implement new or upgraded systems, could have a material adverse effect on our Business or results of operations.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Risk Management
The Company is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

Financing and Liquidity Risk
The Company makes use of short-term financing with two chartered Canadian banks.

The following are the contractual maturities of financial liabilities as at November 30, 2019:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	31,204	31,204	31,204	-
Trade and other payables	29,048	29,048	29,048	-
Dividend payable	856	856	856	-
Long-term debt	43	43	15	28
Total financial liabilities	**61,151**	**61,151**	**61,123**	**28**

The following are the contractual maturities of financial liabilities as at November 30, 2018:

Financial Liabilities				
	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
Bank indebtedness	42,835	42,835	42,835	-
Trade and other payables	29,192	29,192	29,192	-
Long-term debt	57	57	14	43
Total financial liabilities	72,084	72,084	72,041	43

Interest Rate Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the $31.2 million in bank indebtedness would impact interest expense annually by $0.3 million.

Currency Risk
The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a significant effect on the Company's net earnings. As at November 30, 2019, the Company had the following currency exposure:

Financial assets and liabilities measured at amortized costs
(in thousands of dollars)

	USD	**GBP**	**Euro**
Cash	527	627	13
Trade and other receivables	6,014	186	-
Trade and other payables	(2,443)	(56)	(438)
Long-term debt	(32)	-	-
Net exposure	**4,066**	**757**	**(425)**
CAD exchange rate as at November 30, 2019	1.3282	1.7174	1.4634
Impact on net earnings based on a fluctuation of 5% on CAD	**195**	**47**	**(22)**

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due. The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:
(in thousands of dollars)

	November 30 2019	November 30 2018
	$	$
Current	**42,898**	45,188
31 - 60 days past due	**3,238**	2,500
61 - 90 days past due	**735**	1,157
91 - 120 days past due	**397**	209
Over 120 days past due	**564**	1,199
	47,832	50,253
Loss allowance	**(144)**	(570)
Balance, end of period	**47,688**	49,683

As at November 30, 2019, expected credit losses are limited to $144 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt approximate their fair values.

RELATED PARTY TRANSACTIONS

Related parties include the key management and other related parties as described below. Unless otherwise noted, no related party transactions contain special features, conditions and guarantees that have been given or received. Balances are generally settled in cash. Transactions between the parent company and its subsidiaries and between subsidiaries themselves, which are related parties, have been eliminated upon consolidation. These transactions and balances are not presented in this section. The details of these transactions occurred in the normal course of business between the Company and other related parties and are presented below.

Commercial Transactions
During the year ended November 30, 2019, the entities of the Company have not entered into business transactions with related parties that are not members of the Company.

Other related party transactions

	November 30 2019	November 30 2018
(in thousands of dollars)	**$**	$
Company controlled by a member of the Board – Jarislowsky Fraser Ltd.		
- Management fee	-	87

These transactions are in the normal course of business and measured at the exchange amount of considerations established and agreed to in the contractual arrangements between the related parties.

Loans to related parties
No executive officers, senior officers, directors or any person related to them is indebted to the Company.

Key management personnel compensation
Key management includes members of the board of directors, senior management and key executives. The following table shows the remuneration of key management personnel during the years ended:

	November 30 2019	November 30 2018
(in thousands of dollars)	**$**	$
Salaries and other short-term benefits	**1,756**	1,384
Post-employment benefits	**105**	7
	1,861	1,391

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates are volatile by their nature and are continuously monitored by management. Actual results may differ from these estimates. A discussion of the significant estimates that could have a material effect on the financial statements is provided below:

i. *Allowance for expected credit losses*
The Company makes an assessment of whether accounts receivable are collectable, based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk categories. Credit quality is assessed by taking into account the financial condition and payment history of the Company's customers, and other factors. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company could be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

ii. *Allowance for sales returns*
The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise expected to be returned in the future.

iii. *Measurement of defined benefit plan assets and liabilities*
The Company's measurement of defined benefit plan assets and liabilities involves making assumptions about discount rates, the expected rate of compensation increase, the retirement age of employees, and mortality rates. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to changes to the pension expense recognized in net earnings, and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

iv. *Valuation of inventory*
Estimating the impact of certain factors on the net realizable value of inventory, such as obsolescence and losses of inventory, as well as estimating the cost of inventory, freight accrual and inventory provisions, requires a certain level of judgment. Inventory quantities, age and condition, and average costs are measured and assessed regularly throughout the year.

v. *Environmental provisions*
Environmental provisions relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties.

Environmental expenditures are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future remediation expenditures is reviewed periodically based on available information. The provision requires the use of estimates and assumptions such as the estimated amount of future remediation expenditures, the anticipated method of remediation, the discount rate and the estimated time frame for remediation. See Note 13 for further details.

vi. *Critical judgments in applying accounting policies:*
The Company did not identify any critical judgments that management has made in the process of applying accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statement.

SIGNIFICANT ACCOUNTING POLICIES

The new accounting policy set out below have been adopted in the audited consolidated financial statements for the year ended November 30, 2019:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers

Further information on these new accounting policies as well as all of the Company's significant accounting policies are described in Note 3 to the consolidated financial statements for the year ended November 30, 2019.

IMPACT OF ACCOUNTING PRONOUNCEMENTS NOT YET IMPLEMENTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended November 30, 2019 and have not been applied in preparing the audited consolidated financial statements for the year ended November 30, 2019. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 16 – Leases
- IFRIC 23, Uncertainty Over Income Tax Treatments

Further information on these modifications can be found in Note 3 of the audited consolidated financial statements for year ended November 30, 2019.

DISCLOSURE OF OUTSTANDING SHARE DATA

At November 30, 2019, there were 8,562,554 common shares issued compared to 8,506,554 common shares issued last year. The Company has authorized an unlimited number of common shares to be issued, without par value. At February 13, 2020, there were 8,562,554 common shares outstanding.

SUBSEQUENT EVENT

On November 8, 2019, the Company declared a dividend of $0.10 per share, totaling $856 thousand to shareholders of record on November 22, 2019, which was paid on December 6, 2019.

OUTLOOK

Goodfellow stayed on a path of conservative cash flow management in 2019 to mitigate the unforeseen risks domestically and overseas. The Company's priorities remain to increase turns, reduce the operating loan, successfully launch new lines in our existing categories as well as improve profitability. Goodfellow reported modest profitability for fiscal 2019. Despite significant economic and political turmoil throughout its Canadian distribution network, the United States and Overseas, Goodfellow has budgeted a significant return improvement for 2020. Aggressive initiatives to stimulate market share gains are being executed. Proactive customer service improvement measures are also being implemented to diminish lead times and increase productivity.

CERTIFICATION

Disclosure Controls

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.
As required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at November 30, 2019.

Procedures and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.
As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control – Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at November 30, 2019.
In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

There has been no change in the Company's internal control over financial reporting that occurred during the three and twelve months ended November 30, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, February 13, 2020

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA, CMA
Chief Financial Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The accompanying consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards, and the other financial information provided in the Annual Report, which is consistent with the financial statements, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include some amounts that are based on management's best estimates and judgment and, in their opinion, present fairly the Company's financial position, results of operations and cash flows. The Company's procedures and internal control systems are designed to provide reasonable assurance that accounting records are reliable and safeguard the Company's assets.

The Audit Committee is responsible for reviewing the consolidated financial statements and Annual Report and recommending their approval to the Board of Directors. In order to fulfill its responsibilities, the Audit Committee meets with management and independent auditors to discuss internal control over financial reporting process, significant accounting policies, other financial matters and the results of the examination by the independent auditors.

These consolidated financial statements have been audited by the independent auditors KPMG LLP, Chartered Professional Accountants, and their report is included herein.

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA, CMA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Goodfellow Inc.

Opinion

We have audited the consolidated financial statements of Goodfellow Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at November 30, 2019 and November 30, 2018;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at November 30, 2019 and November 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report 2019".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report 2019" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Giuseppe Funiciello.

KPMG LLP*

Montréal, Canada

February 13, 2020

*CPA Auditor, CA public accountancy permit no. A122264

GOODFELLOW INC.
Consolidated Statements of Comprehensive Income
For the years ended November 30, 2019 and 2018
(in thousands of dollars, except per share amounts)

	Years ended	
	November 30 2019	November 30 2018
	$	$
Sales (Note 22)	**449,587**	475,207
Expenses		
Cost of goods sold (Note 4)	**364,545**	387,311
Selling, administrative and general expenses (Note 4)	**77,639**	81,161
Gain on disposal of property, plant and equipment	**(3)**	(18)
Net financial costs (Note 5)	**3,137**	3,476
	445,318	471,930
Earnings before income taxes	**4,269**	3,277
Income taxes (Note 15)	**1,215**	706
Net earnings	**3,054**	2,571
Items that will not subsequently be reclassified to net earnings		
Remeasurement of defined benefit plan obligation, net of taxes of $265 ($318 in 2018) (Note 16)	**(723)**	858
Total comprehensive income	**2,331**	3,429
Net earnings per share – Basic (Note 14 d))	**0.36**	0.30
Net earnings per share - Diluted (Note 14 d))	**0.35**	0.30

The notes 1 to 22 are an integral part of these consolidated financial statements.

GOODFELLOW INC.
Consolidated Statements of Financial Position
(in thousands of dollars)

	As at November 30 2019	As at November 30 2018
	$	$
Assets		
Current Assets		
Cash	**2,364**	2,578
Trade and other receivables (Note 6)	**48,498**	50,008
Inventories (Note 7)	**87,339**	92,544
Prepaid expenses	**2,563**	3,143
Total Current Assets	**140,764**	148,273
Non-Current Assets		
Property, plant and equipment (Note 8)	**32,838**	34,356
Intangible assets (Note 9)	**3,927**	4,444
Defined benefit plan asset (Note 16)	**2,222**	2,704
Investment in a joint venture (Note 10)	**25**	25
Other assets	**805**	916
Total Non-Current Assets	**39,817**	42,445
Total Assets	**180,581**	190,718
Liabilities		
Current liabilities		
Bank indebtedness (Note 11)	**31,204**	42,835
Trade and other payables (Note 12)	**29,048**	29,192
Income taxes payable	**734**	409
Provision (Note 13)	**1,470**	336
Dividend payable (Note 14 d))	**856**	-
Current portion of obligations under finance leases (Note 11)	**15**	14
Total Current Liabilities	**63,327**	72,786
Non-Current Liabilities		
Provision (Note 13)	**-**	1,317
Obligations under finance leases (Note 11)	**28**	43
Deferred income taxes (Note 15)	**3,209**	3,652
Defined benefit plan obligation (Note 16)	**609**	57
Total Non-Current Liabilities	**3,846**	5,069
Total Liabilities	**67,173**	77,855
Shareholders' Equity		
Share capital (Note 14)	**9,424**	9,152
Retained earnings	**103,984**	103,711
	113,408	112,863
Total Liabilities and Shareholders' Equity	**180,581**	190,718

Commitments and contingent liabilities (Note 20)

Approved by the Board

Claude Garcia, Director

G. Douglas Goodfellow, Director

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the years ended November 30, 2019 and 2018
(in thousands of dollars)

	Years ended	
	November 30 2019	November 30 2018
	$	$
Operating Activities		
Net earnings	**3,054**	2,571
Adjustments for:		
Depreciation	**3,479**	3,690
Accretion expense on provision	**14**	50
(Decrease) increase in provision	**(197)**	219
Income taxes	**1,215**	706
Gain on disposal of property, plant and equipment	**(3)**	(18)
Interest expense	**2,134**	2,502
Funding in deficit of pension plan expense	**47**	20
Other assets	**111**	(35)
Share-based compensation	**(79)**	-
	9,775	9,705
Changes in non-cash working capital items (Note 17)	**6,856**	3,391
Interest paid	**(2,154)**	(2,535)
Income taxes (paid) recovered	**(1,069)**	1,045
	3,633	1,901
Net Cash Flows from Operating Activities	**13,408**	11,606
Financing Activities		
Proceeds from borrowings under bank loans	**115,000**	88,000
Repayment of borrowings under bank loans	**(113,000)**	(92,000)
Proceeds from borrowings under banker's acceptances	**40,000**	31,000
Repayment of borrowings under banker's acceptances	**(53,000)**	(37,000)
Repayment of finance lease liabilities	**(14)**	(137)
Dividend Paid	**(851)**	-
	(11,865)	(10,137)
Investing Activities		
Acquisition of property, plant and equipment	**(968)**	(1,159)
Increase in intangible assets	**(176)**	(212)
Proceeds on disposal of property, plant and equipment	**18**	72
Dividends from the joint venture	**-**	260
	(1,126)	(1,039)
Net cash inflow	**417**	430
Cash position, beginning of year	**743**	313
Cash position, end of year	**1,160**	743
Cash position is comprised of:		
Cash	**2,364**	2,578
Bank overdraft (Note 11)	**(1,204)**	(1,835)
	1,160	743

GOODFELLOW INC.

Consolidated Statements of Change in Shareholders' Equity

For the years ended November 30, 2019 and 2018

(in thousands of dollars)

	Share Capital	Retained Earnings	Total
	$	$	$
Balance as at November 30, 2017	9,152	100,282	109,434
Net earnings	-	2,571	2,571
Other comprehensive income	-	858	858
Total comprehensive income	-	3,429	3,429
Balance as at November 30, 2018	9,152	103,711	112,863
Net earnings	**-**	**3,054**	**3,054**
Other comprehensive income	**-**	**(723)**	**(723)**
Total comprehensive income	**-**	**2,331**	**2,331**
Transactions with owners of the Company			
Dividend (Note 14 d))	**-**	**(1,707)**	**(1,707)**
Share-based payment (Note 14 b))	**272**	**(351)**	**(79)**
Balance as at November 30, 2019	**9,424**	**103,984**	**113,408**

1. Status and nature of activities

Goodfellow Inc. (hereafter the "Company"), incorporated under the *Canada Business Corporations Act*, carries on various business activities related to remanufacturing and distribution of lumber and wood products. The Company's head office and primary place of business is located at 225 Goodfellow Street in Delson (Quebec), Canada, J5B 1V5.

The consolidated financial statements of the Company as at and for the years ended November 30, 2019 and 2018 includes the accounts of the Company and its wholly-owned subsidiaries.

2. Basis of preparation

a) *Statement of compliance*
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). Certain comparative figures have been reclassified to conform to the current year's presentation.

The financial statements were authorized for issue by the Board of Directors on February 13, 2020.

b) *Basis of measurement*
These consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- Environmental provision is recorded at present value of the expected expenditure to be paid.
- Defined benefit plan assets and liabilities are measured at the present value of the defined benefit obligation less the fair value of the plan assets, and
- Liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, Share-Based Payment.

c) *Functional and presentation currency*
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise noted.

d) *Use of estimates and judgments*

Key sources of estimation uncertainty:

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates are volatile by their nature and are continuously monitored by management. Actual results may differ from these estimates. A discussion of the significant estimates that could have a material effect on the financial statements is provided below:

i. *Allowance for expected credit losses*
The Company makes an assessment of whether accounts receivable are collectable, based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk categories. Credit quality is assessed by taking into account the financial condition and payment history of the Company's customers, and other factors. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company could be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

ii. *Allowance for sales returns*
The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise expected to be returned in the future.

iii. *Measurement of defined benefit plan assets and liabilities*
The Company's measurement of defined benefit plan assets and liabilities involves making assumptions about discount rates, the expected rate of compensation increase, the retirement age of employees, and mortality rates. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to changes to the pension expense recognized in net earnings, and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

2. Basis of preparation (*Continued*)

iv. Valuation of inventory
Estimating the impact of certain factors on the net realizable value of inventory, such as obsolescence and losses of inventory, as well as estimating the cost of inventory, freight accrual and inventory provisions, requires a certain level of judgment. Inventory quantities, age and condition, and average costs are measured and assessed regularly throughout the year.

v. Environmental provisions
Environmental provisions relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties.

Environmental expenditures are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future remediation expenditures is reviewed periodically based on available information. The provision requires the use of estimates and assumptions such as the estimated amount of future remediation expenditures, the anticipated method of remediation, the discount rate and the estimated time frame for remediation. See Note 13 for further details.

vi. Critical judgments in applying accounting policies:
The Company did not identify any critical judgments that management has made in the process of applying accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statement.

3. Significant Accounting Policies

a) Adoption of New Accounting Policies

i) IFRS 9, Financial Instruments
IFRS 9 replaces IAS 39 relating to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 did not have a significant impact on these consolidated financial statements given the nature of the Company's operations and the types of financial instruments that it currently holds.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

The following summarizes the classification and measurement changes for the Company’s financial assets and financial liabilities as a result of the adoption of IFRS 9:

	IAS 39	**IFRS 9**
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Financial liabilities:		
Trade and other payables	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Obligations under finance leases	Other financial liabilities	Amortized cost

In accordance with the transitional provisions of IFRS 9, the financial assets and financial liabilities held at December 1, 2018 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at December 1, 2018. The accounting for these instruments and the line item in which they are included in the consolidated statement of financial position were unaffected by the adoption of IFRS 9.

The Company also applied the expected credit loss model to the assessment of impairment on trade and other receivables. The application of the expected credit loss model to determine the allowance for credit loss had a nominal effect. The Company's new policy in the allowance for credit loss is determined using both specific identification of customer accounts and the expected credit loss model. The Company uses an estimate of the net recoverable amount for specific customer accounts it has identified and the expected credit loss model for the remaining customer accounts based on historical experience of uncollectable amounts. Accounts that are considered uncollectable are written off.

As a result of the adoption of IFRS 9, as described above, the Company has updated its significant accounting policies for Financial Instrument in Note 3 o) below.

(tabular amounts are in thousands of dollars, except per share amounts)

3. Significant Accounting Policies (*Continued*)

ii) IFRS 15 - Revenue from Contracts with Customers
IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company's revenue recognition accounting policy is that revenue from the sale of products is measured based on the consideration specified in the contract with a customer. The Company recognizes revenue at a point in time when control of the goods is transferred to the customer. The Company satisfies its performance obligation and control of the goods is transferred to the customer generally when the customer has taken delivery of the goods. No component of the transaction price is allocated to unsatisfied performance obligations.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively. The new standard did not result in any change to the timing of revenue recognition for the Company for previously reported periods (as a result a consolidated statement of financial position at December 1, 2017 has not been presented) and did not have a significant impact on the financial results of the Company but does, however, result in more extensive disclosures on the Company's revenue transactions (Note 22).

As a result of the adoption of IFRS 15, as described above, the Company has updated its significant accounting policies for Revenue in Note 3 j) below.

b) *Principles of Consolidation*
The consolidated financial statements incorporate the Company's accounts and the accounts of the subsidiaries, all wholly-owned, that it controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company. The accounting policies of subsidiaries are aligned with the policies of the Company. All intercompany transactions, balances, revenues and expenses were fully eliminated upon consolidation.

c) *Cash*
Cash consists of cash on hand and highly liquid investments with an initial term of three months or less.

d) *Inventories*
Inventories, which consist of raw materials, work in process and finished goods are recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventory to its present location and condition. The costs of conversion of inventories also include the costs directly related to the conversion of materials to finished goods, such as direct labour and a systematic allocation of fixed and variable production overhead. Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses. The cost of inventory is recognized as an expense when the inventory is sold. Previous write-downs to net realizable value are reversed if there is a subsequent increase in the value of the related inventories.

e) *Property, Plant, Equipment and intangible assets*
Items of property, plant, equipment and intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Government grants received in respect of property, plant and equipment are recognized as a reduction to the cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use, and borrowing costs.

When an item of property, plant, equipment and intangible assets is made up of components that have differing useful lives, cost is allocated among the different components that are depreciated separately.

A gain or loss on the disposal or retirement of an item of property, plant, equipment and intangible assets, which is the difference between the proceeds from the disposal and the carrying amount of the asset, is recognized in net earnings. Leasehold improvements are amortized using the straight-line method over the terms of the leases. Other capital assets are amortized using the declining balance method with the following rates:

Buildings	4% to 20%
Yard improvements	8% to 10%
Furniture and fixtures	4% to 20%
Equipment	4% to 20%
Computer equipment	20%
Rolling stock	30%

Estimated useful lives, depreciation methods, rates and residual values are reviewed at each annual reporting date, with the effect of any changes accounted for on a prospective basis.

3. Significant Accounting Policies (*Continued*)

f) Intangible assets

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software is subject to the declining balance method at a rate of 20%. Our Enterprise resource planning system is subject to a linear amortization of 10 years and the customer relationship is subject to a linear amortization of 5 years.

g) Leases

The Company accounts for a leased asset as a finance lease when substantially all of the risks and rewards of ownership of the asset have been transferred to the Company. The asset is initially recognized at the lower of the fair value of the leased asset at the inception of the lease and of the present value of the minimum lease payments. The corresponding debt appears on the consolidated statement of financial position as a financial liability. Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the lease term.

All other leases are classified as operating leases. Rent is recognized in net earnings on a straight-line basis over the term of the corresponding lease.

h) Impairment of Non-Financial Assets

On each reporting date, the Company reviews the carrying amounts of property, plant and equipment and intangible assets for any indication of impairment. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the amount of any impairment loss. If the recoverable amount of the individual asset cannot be estimated, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent basis of allocation can be identified.

Recoverable amount is the higher of fair value less costs to sell and the value in use. To measure value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the estimated recoverable amount of an asset or of a CGU is less than its carrying amount, the carrying amount of the asset or of the CGU is reduced to its recoverable amount. An impairment loss is immediately recognized in net earnings.

When an impairment loss subsequently reverses, the carrying amount of the asset or of the CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the CGU in the prior periods. Reversals of impairment losses are immediately recognized in net earnings.

i) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into the functional currency at average rates of exchange prevailing during the period. The resulting gains or losses on translation are included in cost of goods sold in the determination of net earnings.

j) Revenue Recognition

Revenue from the sale of goods from activities relating to remanufacturing, distribution of lumber and wood products is recognized, net of discounts and customer rebates, at the point in time when the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

3. Significant Accounting Policies (*Continued*)

k) Post-Employment Benefits

a) Defined Contribution Plans
Defined contribution plans include pension plans offered by the Company that are regulated by the Régie des rentes du Québec and by the Canada Revenue Agency and 408 Simple IRA plans (for its US employees). The Company recognizes the contributions paid under defined contribution plans in net earnings in the period in which the employees rendered service entitling them to the contributions. The Company has no legal or constructive obligation to pay additional amounts other than those set out in the plans.

b) Defined Benefit Plans
The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the services are rendered. The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that plan members have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The Company has a number of defined benefit pension plans and has adopted the following policies:

i. The cost of pensions earned by employees is actuarially determined using the projected unit credit method based on management's best estimate of salary escalation, retirement ages of employees, discount rates and mortality rates. Actuarial valuations are performed by independent actuaries on each reporting date of the annual financial statements.
ii. For the purpose of calculating the costs of the plans, assets are recorded at fair value and interest on the service cost is allowed for in the interest cost.
iii. Actuarial gains or losses are recognized, for each reporting period, through other comprehensive income. Past service costs arising from plan amendments are recognized in net earnings in the period that they arise.
iv. The defined benefit plans are subject to minimum funding requirements which under certain circumstances could generate an additional liability under IFRIC 14. Any variation in that liability would be recognized immediately in net earnings.

Pension expense consists of the following:

i. the cost of pension benefits provided in exchange for plan members' services rendered in the period;
ii. net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
iii. past service costs; and
iv. gains or losses on settlements or curtailments.

l) Income taxes
Income taxes consist of current tax and deferred tax. Current tax and deferred tax are recognized in net earnings except when they are related to items recognized directly in shareholders' equity or in other comprehensive income, in which case the current tax and deferred tax are recognized directly in shareholders' equity or in other comprehensive income, in accordance with the accounting treatment of the item to which it relates.

The Company's income tax expense is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. The Company's estimates of current income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes.

The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the income tax expense and in measuring current income tax assets and liabilities.

Deferred tax is recognized on the temporary differences between the carrying amounts of the assets and liabilities presented in the consolidated statement of financial position and the corresponding tax bases used for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment or substantively enacted date except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3. Significant Accounting Policies (Continued)

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are recognized under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

m) *Earnings per Share*

Basic earnings per share (EPS) are calculated by dividing the net earnings of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized share-based payment, if any, are used to purchase common shares at the average market share price during the reporting period.

n) *Share-based payments*

Equity-settled

The grant date fair value of equity-settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees becomes entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Cash-settled

A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company's shares in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense in selling, general and administrative expenses. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the awards that meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statements of comprehensive income for the period.

o) *Financial Instruments*

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

i. *Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

Impairment of financial assets

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance if they relate to a financial asset measured at amortized cost. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

ii. *Financial assets measured at fair value*

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. There are currently no financial assets measured at fair value with changes in fair value recognized in profit or loss.

3. Significant Accounting Policies (Continued)

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no equity instruments that are not held for trading.

iii. Financial liabilities are classified into the following categories:

Financial liabilities measured at amortized cost
The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies trade and other payables, bank indebtedness and long-term debt as financial liabilities measured at amortized cost.

Financial liabilities measured at fair value
Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

iv. Non-hedge derivative financial instruments measured at fair value
Non-hedge derivative financial instruments, if any, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

p) Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of these assets until the assets are in the condition necessary for them to be capable of operating in the manner intended by management. In instances where the Company does not have borrowings directly attributable to the acquisition of qualifying assets, the Company uses the weighted average of the borrowing costs. The borrowing costs thus added to the qualifying assets will not exceed the borrowing costs incurred during the corresponding period.

Investment revenues earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in net earnings in the period in which they are incurred.

q) Provisions
Provisions are recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties related to the obligation. If the effect of the time value of money is material, the provisions are measured at their present value.

i) Onerous contracts
A provision for onerous contracts is measured and recognized when the Company has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii) Environmental provisions
Environmental provisions relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. Environmental expenditures are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future remediation expenditures is reviewed periodically based on available information. The amount of the provision is the present value of the estimated future remediation expenditures discounted using a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as financial costs, while the revision of estimates of environmental expenditures and discount rates are recorded in selling, administrative and general expenses in the consolidated statement of comprehensive income.

3. Significant Accounting Policies (*Continued*)

r) Government Grants
Government grants related to depreciable assets, including investment tax credits, are recognized in the consolidated statement of financial position as a reduction of the carrying amount of the related asset. They are then recognized in net earnings, as a deduction from the depreciation expense, over the estimated useful life of the depreciable asset. Other government grants are recognized in net earnings as a deduction from the related expense.

s) Presentation of Dividends and Interest Paid in Cash Flow Statements
IFRS permits dividends and interest paid to be shown as operating or financing activities, as deemed relevant for the entity. The Company has elected to classify dividends paid as cash flows used in financing activities and interest paid as cash flows used in operating activities.

t) Financial costs
Financial costs comprise interest expense on borrowings, unwinding of the discount on provisions and other financial charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings using the effective interest method.

u) Interests in equity-accounted investees
The Company's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than the rights to its assets and obligations for its liabilities. Interests in the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transactions cost. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit and loss and Other Comprehensive Income of equity-accounted investees, until the date on which significant influence or joint control ceases.

v) IFRS Standard Issued, But Not Yet Effective

i) IFRS 16, Leases
On January 13, 2016 the IASB issued IFRS 16, Leases. The new standard is effective for years periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have also been provided.

The Company intends to adopt this standard using the modified retrospective approach with the cumulative effects of initial application recorded in opening retained earnings as at December 1, 2019 with no restatements of the comparative period. Under the modified retrospective approach, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

- the Company will not reassess whether a contract is, or contains, a lease at the date of initial application and instead will apply IFRS 16 to contracts that were previously identified as leases applying IAS 17, *Leases*;
- the Company will rely on the assessment of the onerous lease provisions under IAS 37, *Provisions, contingent liabilities and contingent assets*, instead of performing an impairment review. The Company will adjust the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognized in the consolidated balance sheet immediately before the date of initial application;
- the Company will exclude initial direct costs in the measurement of the right-of-use assets at the date of initial application; and
- the Company will use hindsight in determining the lease term at the date of initial application.

Based on the information available as at February 13, 2020, the Company anticipates recognizing approximately $16.4 million of right-of-use assets and $ 20.3 million of lease liabilities on its consolidated balance sheet as at December 1, 2019. The right-of-use asset will be net of prepaid rent and other payables relating to the leases recognized in the consolidated balance sheet immediately before the date of initial application.

The actual impacts of the initial application of IFRS 16 may vary from the estimates provided, as the Company has not finalized all its calculations.

(tabular amounts are in thousands of dollars, except per share amounts)

3. Significant Accounting Policies (*Continued*)

ii) Uncertain Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty Over Income Tax Treatments, which clarifies how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty regarding income tax treatments. The Interpretation addresses whether an entity needs to consider uncertain tax treatments separately, the assumptions an entity should make about the examination of tax treatments by taxation authorities, how an entity should determine taxable profit and loss, tax bases, unused tax losses, unused tax credits, and tax rates, and how an entity considers changes in facts and circumstances in such determinations. IFRIC 23 applies to annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company does not expect any significant impacts from the adoption of IFRIC 23 on its consolidated financial statements.

4. Additional information on cost of goods sold and selling, administrative and general expenses

	November 30 2019	November 30 2018
	$	$
Employee benefits expense	**50,608**	51,829
Obsolescence adjustment included in cost of goods sold	**712**	648
Depreciation included in cost of goods sold	**974**	1,067
Depreciation included in selling, administrative and general expenses	**2,505**	2,623
Operating lease expense	**4,948**	4,909
Foreign exchange (losses) gains	**(82)**	23

5. Net financial costs

	November 30 2019	November 30 2018
	$	$
Interest expense	**2,134**	2,502
Accretion expense on provision (Note 13)	**14**	50
Other financial costs	**1,000**	999
Financial cost	**3,148**	3,551
Financial income	**(11)**	(75)
Net financial cost	**3,137**	3,476

6. Trade and other receivables

	November 30 2019	November 30 2018
	$	$
Trade receivables	**47,832**	50,253
Allowance for doubtful accounts	**(144)**	(570)
	47,688	49,683
Other receivables	**810**	325
	48,498	50,008

7. Inventories

	November 30 2019	November 30 2018
	$	$
Raw materials	**6,393**	6,756
Work in process	**7,309**	9,093
Finished goods	**75,410**	78,554
	89,112	94,403
Provision for obsolescence	**(1,773)**	(1,859)
	87,339	92,544

For the year ended November 30, 2019, $348.9 million (2018 - $370.5 million) of inventory were expensed as cost of goods sold. Included in inventories is a return asset for the right to recover returned goods in the amount of $1.4 million as at November 30, 2019 (November 30, 2018 - $1.5 million).

(tabular amounts are in thousands of dollars, except per share amounts)

8. Property, plant and equipment

	Carrying amount November 30, 2018	Additions	Dispositions	Depreciation	Carrying amount November 30, 2019
	$	$	$	$	$
Land	**6,263**	**-**	**-**	**-**	**6,263**
Buildings	**15,253**	**127**	**-**	**(807)**	**14,573**
Yard improvements	**5,583**	**-**	**-**	**(447)**	**5,136**
Leasehold improvements	**1,492**	**223**	**-**	**(292)**	**1,423**
Furniture and fixtures	**130**	**8**	**-**	**(27)**	**111**
Equipment	**4,005**	**530**	**(14)**	**(816)**	**3,705**
Computer equipment	**1,110**	**103**	**-**	**(226)**	**987**
Rolling Stock	**520**	**292**	**(1)**	**(171)**	**640**
	34,356	**1,283**	**(15)**	**(2,786)**	**32,838**

	November 30, 2019		
	Cost	Accumulated depreciation	Carrying Amount
	$	$	$
Land	**6,263**	**-**	**6,263**
Buildings	**35,059**	**20,486**	**14,573**
Yard improvements	**11,342**	**6,206**	**5,136**
Leasehold improvements	**3,884**	**2,461**	**1,423**
Furniture and fixtures	**1,163**	**1,052**	**111**
Equipment	**27,138**	**23,433**	**3,705**
Computer equipment	**4,738**	**3,751**	**987**
Rolling Stock	**6,574**	**5,934**	**640**
	96,161	**63,323**	**32,838**

	Carrying amount November 30, 2017	Additions	Dispositions	Depreciation	Carrying amount November 30, 2018
	$	$	$	$	$
Land	6,263	-	-	-	6,263
Buildings	15,842	250	-	(839)	15,253
Yard improvements	6,069	-	-	(486)	5,583
Leasehold improvements	1,267	474	-	(249)	1,492
Furniture and fixtures	157	5	-	(32)	130
Equipment	4,636	275	(9)	(897)	4,005
Computer equipment	1,334	52	(1)	(275)	1,110
Rolling Stock	630	136	(44)	(202)	520
	36,198	1,192	(54)	(2,980)	34,356

	November 30, 2018		
	Cost	Accumulated depreciation	Carrying Amount
	$	$	$
Land	6,263	-	6,263
Buildings	34,932	19,679	15,253
Yard improvements	11,342	5,759	5,583
Leasehold improvements	3,661	2,169	1,492
Furniture and fixtures	1,155	1,025	130
Equipment	26,632	22,627	4,005
Computer equipment	4,636	3,526	1,110
Rolling Stock	6,283	5,763	520
	94,904	60,548	34,356

Leased equipment

The Company leases computer equipment and lift trucks under finance leases. The leased equipment secures the lease obligation (Note 11). As at November 30, 2019, the net carrying amount of leased equipment was $43 thousand ($57 thousand in 2018).

There has been no impairments or recoveries recorded during the fiscal years ended November 30, 2019 and 2018.

(tabular amounts are in thousands of dollars, except per share amounts)

9. Intangible assets

	Carrying amount November 30, 2018	**Additions**	**Depreciation**	**Carrying amount November 30, 2019**
	$	**$**	**$**	**$**
Software and technologies	**4,223**	**176**	**(587)**	**3,812**
Customer relationship	**221**	**-**	**(106)**	**115**
	4,444	**176**	**(693)**	**3,927**

	November 30, 2019		
	Cost	**Accumulated depreciation**	**Carrying Amount**
	$	**$**	**$**
Software and technologies	**6,509**	**2,697**	**3,812**
Customer relationship	**530**	**415**	**115**
	7,039	**3,112**	**3,927**

	Carrying amount November 30, 2017	Additions	Depreciation	Carrying amount November 30, 2018
	$	$	$	$
Software and technologies	4,615	212	(604)	4,223
Customer relationship	327	-	(106)	221
	4,942	212	(710)	4,444

	November 30, 2018		
	Cost	Accumulated depreciation	Carrying Amount
	$	$	$
Software and technologies	6,333	2,110	4,223
Customer relationship	530	309	221
	6,863	2,419	4,444

10. Investment in a joint venture

In fiscal 2016, the Company and Groupe Lebel Inc. entered into a joint venture ("JV") through the creation of Traitement Lebel Goodfellow Inc. The Company had invested $3.0 million in the joint venture in the form of inventory of raw material in return of 40% of the shares of the joint venture. The joint venture ceased operations on May 31st, 2017. The better part of the liquidation was done in fiscal 2017 and the Company received back its initial investment of $3.0 million and $320 thousand of dividends as part of the dissolution in 2017. In fiscal 2018, the Company received a $260 thousand dividend. The carrying amount of the investment in the JV at November 30, 2019 was $25 thousand (same as fiscal 2018)

In fiscal 2019, the Company had no related party transactions with the joint venture (same as last year). The Company has no outstanding receivable balance with Traitement Lebel Goodfellow Inc. as at November 30, 2019 (nil in 2018).

11. Bank indebtedness and obligation under finance leases

a) Bank indebtedness

	November 30 2019	November 30 2018
	$	$
Bank loans	**5,000**	3,000
Banker's acceptances	**25,000**	38,000
Bank overdraft	**1,204**	1,835
	31,204	42,835

(tabular amounts are in thousands of dollars, except per share amounts)

11. Bank indebtedness and long-term debt *(Continued)*

In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2021. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days only. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the immovable and movable property of the Company. As at November 30, 2019, the Company was compliant with its financial covenants. As at November 30, 2019, under the credit agreement, the Company was using $30.0 million of its facility compared to $41.0 million last year.

b) Obligations under finance leases

The Company has entered into finance leases secured by the leased lift trucks. The obligation under finance leases bear interests at a rate of 6.1% per annum, maturing August 2022.

12. Trade and other payables

	November 30 2019	November 30 2018
	$	$
Trade payables and accruals	**20,438**	22,789
Payroll related liabilities	**5,569**	6,093
Sales taxes payables	**3,041**	310
	29,048	29,192

13. Provision

The Company's St-André (QC) site shows continued traces of surface contamination from previous treating activities exceeding existing regulatory requirements. The Company received approval for the environmental rehabilitation plan in fiscal 2016. The Company started to implement its plan during the fiscal 2016 and treatment of soil on-site was to be performed over an estimated period of 5 years. Based on current available information, the provision as at November 30, 2019 is considered by management to be adequate to cover any projected costs that could be incurred in the future. The remaining rehabilitation is expected to occur over the next year.

Because of the nature of the liability, the biggest uncertainty in estimating the provision is the amounts of soil to be treated and the costs that will be incurred. In particular, the Company has assumed that the site will be restored using technology and materials that are currently available. The Company has been provided with a reasonable estimate, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9% and an inflation rate of 1.9%.

The change in environmental provision is as follows:

	November 30 2019	November 30 2018
	$	$
Balance, beginning of year	**1,653**	1,384
Changes due to:		
Revision of future expected expenditures	**187**	239
Accretion expense	**14**	50
Expenditures incurred	**(384)**	(20)
Balance, end of year	**1,470**	1,653
Current portion	**1,470**	336
Long-term portion	**-**	1,317

Change in estimates of future expenditures are as a result of periodic reviews of the underlying assumptions supporting the provision, including remediation costs and regulatory requirements.

(tabular amounts are in thousands of dollars, except per share amounts)

14. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	November 30 2019	November 30 2018	**November 30 2019**	November 30 2018
	Number of shares	Number of shares	**$**	$
Shares outstanding at the beginning of the year	**8,506,554**	8,506,554	**9,152**	9,152
Deferred shares issuance	**56,000**	-	**272**	-
Shares outstanding at the end of the year	**8,562,554**	8,506,554	**9,424**	9,152

b) Share-based payments

On January 15, 2017, the Company granted deferred shares to a key executive. Under this program, the executive was eligible to receive shares of the Company if specific non-market performance targets were met. The Company recognized the fair value of the shares at the grant date ($494 thousand) and the shares were vested at November 30, 2017 as the Company met the non-market performance targets. On April 12, 2019, the Company modified these deferred shares to allow for a cash alternative at the key executive's discretion. The cash alternative allows the key executive to a cash payment equal to the number of deferred shares exercised multiplied by the fair value of the shares calculated using the average closing trading price during the preceding twenty trading days of the exercise. On April 12, 2019 (the date of the modification), based on an average closing share price of $6.27 for the twenty trading days preceding April 12, 2019, an amount of $351 thousand was transferred from retained earnings to Payroll related liabilities.

At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in profit and loss for the period. On November 14, 2019, based on a closing share price of $4.85, the key executive exercised his right and received 56 000 shares of the Company. The Company recognized a share-based compensation recovery of $79 thousand in Employee benefits expense for the twelve months ended November 30, 2019 with a corresponding change in Payroll related liabilities. All shares under this grant have been issued. Therefore, the Payroll related liabilities is nil at November 30, 2019.

c) Share option plan

The Company had implemented in 2002 a Key Employee Share Option Plan (SOP). Since there are no outstanding options under the SOP and because the Company no longer intends to use it, the SOP was repealed and terminated as of July 4, 2019.

d) Net earnings and dividend per share

The calculation of basic and diluted net earnings per share was based on the following:

	November 30 2019	November 30 2018
	$	$
Net earnings		
- basic	**3,054**	2,571
- diluted (see Note 14b))	**2,997**	2,571
Weighted average number of common shares		
- basic	**8,508,888**	8,506,554
- diluted	**8,562,554**	8,562,554

On February 14, 2019, the Company declared a dividend of $0.10 per share, totaling $851 thousand to shareholders of record on February 28, 2019, which was paid on March 15, 2019. On November 8, 2019, the Company declared a dividend of $0.10 per share, totaling $856 thousand to shareholders of record on November 22, 2019, which was paid on December 6, 2019. No dividends were paid or declared in fiscal 2018.

(tabular amounts are in thousands of dollars, except per share amounts)

15. Income Taxes

The income tax expenses is as follows:

	November 30 2019	November 30 2018
	$	$
Current tax expenses	**1,394**	953
Deferred tax expenses	**(179)**	(247)
	1,215	706

The provision for income taxes is at an effective tax rate, which differs from the basic corporate statutory tax rate as follows:

	November 30 2019	November 30 2018
	$	$
Earnings before income taxes	**4,269**	3,277
Statutory income tax rate (%)	**27.7**	27.0
Income taxes based on above rates	**1,183**	885
Adjusted for:		
Permanent differences	**34**	(84)
Difference in expected rate of reversal versus current rate	**(3)**	(112)
Other	**1**	17
	1,215	706

Temporary differences that give rise to deferred income tax assets and liabilities are as follows:

	November 30 2019	November 30 2018
	$	$
Deferred income tax (liabilities) assets:		
Deferred pension asset	**(432)**	(710)
Provisions and other	**883**	956
Property, plant and equipment	**(3,631)**	(3,843)
Intangible assets	**(29)**	(55)
Net deferred tax liability	**(3,209)**	(3,652)

On an annual basis, the Company assesses if it is probable its deferred income tax assets will be realized based on its taxable income projections. As at November 30, 2019, it is probable that the Company will realize its deferred income tax assets from the generation of future taxable income.

16. Post-employment benefits

The Company has a number of pension plans providing pension benefits to most of its employees.

The Pension Plan for the Hourly Employees of Goodfellow Inc. (“Hourly Plan”) is a hybrid pension plan funded by employer and members contributions. Defined benefits are based on career average earnings for service up to April 30, 2008. The Hourly Plan was a pure defined benefit plan until April 30, 2008 but was amended effective May 1, 2008 to introduce a defined contribution (DC) component.

The Pension Plan for the Salaried Employees of Goodfellow Inc. (“Salaried Plan”) is also a hybrid pension plan funded by employer and members contributions. Defined benefits are based on length of service up to May 31, 2007 and final average earnings calculated at the earliest of retirement, termination or death. The Salaried Plan was a pure defined benefit plan until May 31, 2007 but has been amended effective June 1, 2007 to introduce a defined contribution (DC) component. As for the DC components, the Company matches employee contributions.

All employees have ceased to accrue service under the defined benefit portions of the plans.

A. Defined Contribution Plans

The Company contributes to several defined contribution plans and 408 Simple IRA plans (for its US employees). The pension expense under these plans is equal to the Company’s contributions. The pension expense for the year ended November 30, 2019 was $1.3 million (2018 - $1.4 million).

(tabular amounts are in thousands of dollars, except per share amounts)

16. Post-employment benefits *(Continued)*

B. Defined Benefit Plans

The measurement date for the plan assets and obligations is November 30. The most recent actuarial valuations for funding purposes were filed with the pension regulators on December 31, 2018 for both plans. The next actuarial valuation for both plans for funding will be no later than as of December 31, 2021.

Information about the Company's defined benefit plans is as follows:

	November 30 2019	November 30 2018
	$	$
Defined benefit obligation		
Balance, beginning of year	**49,369**	52,832
Interest cost	**1,881**	1,806
Benefits paid	**(2,259)**	(2,437)
Actuarial (gain) loss		
Changes in financial assumptions	**6,373**	(2,832)
Effect of experience adjustments	**(1,722)**	-
Balance, end of year	**53,642**	49,369

	November 30 2019	November 30 2018
	$	$
Plan assets		
Fair value, beginning of year	**52,016**	54,324
Interest income	**1,982**	1,857
Employer contributions	**4**	81
Benefits paid	**(2,259)**	(2,437)
Administrative expenses paid from plan assets	**(151)**	(153)
Return on plan assets in excess of interest income	**3,663**	(1,656)
Fair value, end of year	**55,255**	52,016
Net asset	**1,613**	2,647

The actual return on plan assets was $5.5 million in 2019 and $48 thousand in 2018.

The funded status of the defined benefits plans are as follows:

	November 30 2019	November 30 2018
	$	$
Defined benefits obligation		
- funded	**15,325**	13,630
- partly funded	**38,317**	35,739
Fair value of plan assets		
- funded	**17,547**	16,334
- partly funded	**37,708**	35,682
Funded status – surplus (deficit)		
- funded	**2,222**	2,704
- partly funded	**(609)**	(57)

The significant actuarial weighted average assumptions used are as follows:

	November 30 2019	November 30 2018
	%	%
Defined benefit obligation:		
Discount rate	**2.95**	3.90
Rate of compensation increase	**3.00**	3.00
Net benefit plan expense:		
Discount rate	**3.90**	3.50
Rate of compensation increase	**3.00**	3.00

(tabular amounts are in thousands of dollars, except per share amounts)

16. Post-employment benefits *(Continued)*

Net benefit plan expense:

	November 30 2019	**November 30 2018**
	$	**$**
Interest cost	**1,881**	**1,806**
Interest income	**(1,982)**	**(1,857)**
Administrative expenses	**151**	**153**
Net benefit plan expense	**50**	**102**

The net benefit plan expense is included in Cost of goods sold, and Selling, Administrative, and General Expenses in the consolidated statement of comprehensive income.

The plan assets by asset category are as follows:

	November 30 2019	November 30 2018
	%	%
Equity security:		
Canadian stocks	**21**	21
US stocks	**19**	19
International stocks	**18**	19
Debt securities:		
Universal type	**42**	41
All investments are quoted on an active market		

History of deficit and of experience gains and losses:

	November 30 2019	November 30 2018
	$	$
Benefit obligation	**53,642**	49,369
Fair value of plan assets	**55,255**	52,016
Surplus	**1,613**	2,647
Experience (gain) loss on plan liabilities*		
- Amount	**(1,722)**	-
- Percentage of beginning of year liabilities	**3.49%**	0.0%
** Excluding impact of change in assumptions*		

A one percent change in discount rate would not have a significant impact on pension expense.

Amount, timetable and uncertainty of future cash flows:

- Sensitivity analysis

Sensitivity to the discount rate:

	Down of 0.25%	**Assumption used**	**Up by 0.25%**
Defined benefit obligation	$55,501	$53,642	$51,885
Discount rate	2.70%	2.95%	3.20%

Sensitivity to the life expectancy:

	Up to one year	**Assumption used**
Defined benefit obligation	$55,186	$53,642
Mortality rates (CPM2014Priv – MI2017)		
Life expectancy of man of 65 years	23.0 years	22.0 years
Life expectancy of woman of 65 years	25.5 years	24.5 years

(tabular amounts are in thousands of dollars, except per share amounts)

16. Post-employment benefits *(Continued)*

- Funding policy

Goodfellow Inc. contributes amounts required to comply with provincial and federal legislation.

- Expected contributions

The total cash payment for post-employment benefits for 2019, consisting of cash contributed by the Company to its funded pension plans, was $4 thousand ($81 thousand in 2018). Based on the latest filed actuarial valuation for funding purposes as at December 31, 2018, the Company expects to contribute nil in 2020.

- Duration

The weighted average duration of the defined benefit obligation is 14 years.

17. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	November 30 2019	November 30 2018
	$	$
Trade and other receivables	**1,510**	7,599
Inventories	**5,205**	(3,684)
Prepaid expenses	**590**	(254)
Trade and other payables	**(449)**	(270)
	6,856	3,391

Non-cash transaction
The Company purchased property, plant, equipment and intangible assets for which an amount of $386 thousand was unpaid as at November 30, 2019 ($71 thousand as at November 30, 2018).

The reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	Bank loans	**Banker's acceptances**	**Finance lease**
Liability related changes	**$**	**$**	$
Year ended November 30, 2018			
Interest expense	402	2,095	5
Interest paid	381	2,149	5
Year ended November 30, 2019			
Interest expense	433	1,698	3
Interest paid	443	1,708	3

18. Financial instruments and other instruments

Risk Management
The Company is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

Financing and Liquidity Risk
The Company makes use of short-term financing with two chartered Canadian banks.

(tabular amounts are in thousands of dollars, except per share amounts)

18. Financial instruments and other instruments *(Continued)*

The following are the contractual maturities of financial liabilities as at November 30, 2019:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	31,204	31,204	31,204	-
Trade and other payables	29,048	29,048	29,048	-
Dividend Payable	856	856	856	-
Lease obligations	43	43	15	28
Total financial liabilities	**61,151**	**61,151**	**61,123**	**28**

The following are the contractual maturities of financial liabilities as at November 30, 2018:

Financial Liabilities				
	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
Bank indebtedness	42,835	42,835	42,835	-
Trade and other payables	29,192	29,192	29,192	-
Lease obligations	57	57	14	43
Total financial liabilities	72,084	72,084	72,041	43

Interest Rate Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates as well as the Company's funded debt to capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the $31.2 million in bank indebtedness would impact interest expense annually by $0.3 million.

Currency Risk
The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a significant effect on the Company's net earnings. As at November 30, 2019, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	**GBP**	**Euro**
Cash	527	627	13
Trade and other receivables	6,014	186	-
Trade and other payables	(2,443)	(56)	(438)
Long-term debt	(32)	-	-
Net exposure	**4,066**	**757**	**(425)**
CAD exchange rate as at November 30, 2019	1.3282	1.7174	1.4634
Impact on net earnings based on a fluctuation of 5% on CAD	**195**	**47**	**(22)**

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due. The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

(tabular amounts are in thousands of dollars, except per share amounts)

18. Financial instruments and other instruments *(Continued)*

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:

	November 30 2019	November 30 2018
Current	**42,898**	45,188
31 - 60 days past due	**3,238**	2,500
61 - 90 days past due	**735**	1,157
91 - 120 days past due	**397**	209
Over 120 days past due	**564**	1,199
	47,832	50,253
Loss allowance	**(144)**	(570)
Balance, end of year	**47,688**	49,683

As at November 30, 2019, expected credit losses are limited to $144 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Economic Dependence
Only one major customer exceeds 10% of total company sales during fiscal 2019 compared to two last year. The following represents the total sales consisting primarily of various wood products of the major customer(s):

	Years ended			
	November 30, 2019		November 30, 2018	
		%		%
Sales to major customer(s) that exceeded 10% of total Company's sales	**58,019**	**12.9**	110,699	23.3

The loss of any major customer could have a material effect on the Company's results, operations and financial position. The carrying amounts of financial assets represent the maximum credit exposure.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt approximate their fair values.

19. Capital Management

The Company's objectives are as follows:

1. Maintain financial flexibility in order to preserve its ability to meet financial obligations;
2. Maintain a low debt-to-capitalization ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements; and
4. Provide an adequate return to its shareholders.

The Company defines its capitalization as shareholders' equity and debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid common shares together with the retained earnings, calculated on a consolidated basis in accordance with IFRS. Debt includes bank indebtedness reduced by the amounts of cash and cash equivalents. Capitalization represents the sum of debt and shareholders' equity.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under the normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally-generated cash flows and credit facilities. The Company's financial objectives and strategy remain substantially unchanged.

(tabular amounts are in thousands of dollars, except per share amounts)

19. Capital Management *(Continued)*

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and an Interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company current complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at November 30, 2019 and 2018, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at November 30 2019**	As at November 30 2018
Debt-to-capitalization ratio	**20.6%**	26.6%
Interest coverage ratio	**3.5**	3.0
Return on shareholders' equity	**2.7%**	2.3%
Current ratio	**2.2**	2.0
EBITDA	**$10,885**	$10,443

These measures are not prescribed by IFRS and are defined by the Company as follows:

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- Interest Coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis.
- Return on shareholders' equity is the net earnings (loss) divided by shareholders' equity.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA is earnings before interest, taxes, depreciation and amortization.

20. Commitments and Contingent liabilities

Commitments
As at November 30, 2019, the minimum future rentals payable under long-term operating leases, for offices, warehouses, vehicles, yards, and equipment are as follows:

Less than 1 year	5,204
More than 1 year, but less than 5 years	13,138
More than 5 years	970
	19,312

Contingent liabilities
During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

21. Related party transactions

Related parties include the key management personnel and other related parties as described below.

Other related party transactions

	November 30 2019	November 30 2018
Company controlled by a member of the Board – Jarislowsky Fraser Ltd.		
- Management fee	**-**	87

These transactions are in the normal course of business and measured at the exchange amount of considerations established and agreed to in the contractual arrangements between the related parties.

(tabular amounts are in thousands of dollars, except per share amounts)

21. Related party transactions *(Continued)*

Key management personnel compensation

Key management includes members of the board of directors, senior management and key executives. The following table shows the remuneration of key management personnel during the years ended:

	November 30 2019	November 30 2018
Salaries and other short-term benefits	**1,756**	1,384
Post-employment benefits	**105**	7
	1,861	1,391

22. Segmented Information and Sales

The Company manages its operations under one operating segment. Revenues are generated from the sale of various wood products and operating expenses are managed at the aggregate Company level. All significant property, plant and equipment are located in Canada.

The following table presents sales disaggregated by geographic markets and by categories as this best depicts how the nature, amount, timing and uncertainty of sales and cash flows are affected by economic factors.

Primary geographic markets

The Company's sales to clients located in Canada represent approximately 85% (83% in 2018) of total sales, the sales to clients located in the United States represent approximately 9% (10% in 2018) of total sales, and the sales to clients located in other markets represent approximately 6% (7% in 2018) of total sales

	November 30 2019	November 30 2018
Canada	**381,965**	394,404
US	**41,352**	48,073
Export	**26,270**	32,730
	449,587	475,207

Sales categories

	November 30 2019	November 30 2018
Flooring	**95,808**	95,864
Specialty & commodity panels	**74,305**	84,723
Building materials	**47,313**	47,777
Lumber	**232,161**	246,843
	449,587	475,207

CORPORATE INFORMATION

BOARD OF DIRECTORS

Claude Garcia */**
Chairman of the Board
.

G. Douglas Goodfellow **
Secretary of the Board
Goodfellow Inc.

Stephen A. Jarislowsky */**
Director
Founder of Jarislowsky Fraser Ltd

Normand Morin */**
Chairman of the Audit Committee

David A. Goodfellow
Director

Alain Côté */**
Director

* Member of the Audit Committee
** Member of the Executive Compensation Committee

OFFICERS

Patrick Goodfellow
President & Chief Executive Officer

Charles Brisebois
Chief Financial Officer

G. Douglas Goodfellow
Secretary of the Board

Mary Lohmus
Executive Vice President,
Ontario & Western Canada

David Warren
Vice President,
Atlantic

Luc Dignard
Vice President,
Sales, Quebec

Jeff Morrison
Vice President,
National accounts

Luc Pothier
Vice President,
Operations

Eric Bisson
Vice President,
Quebec

OTHER INFORMATION

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Quebec, Quebec

Auditors
KPMG LLP
Montreal, Quebec

Transfer Agent
Computershare Investor Services Inc.
Montreal, Quebec

Stock Exchange
Toronto
Trading Symbol: GDL

Wholly-owned Subsidiaries
Goodfellow Distribution Inc.
Quality Hardwoods Ltd.

DIVISIONS

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